

INSTANT COMMENT

17 April 2015

Strong wage growth, GDP growth higher

Polish March labour market data surprised with a much stronger than expected wage growth (4.9% YoY). Although the employment growth slightly decelerated (to 1.1% YoY), the pace of labour income growth accelerated sharply to levels last seen in 2008. However, it is still uncertain whether the March surge is sustainable or whether it is just a one-off effect originating from higher bonuses. Anyway, the data allow us to expect faster consumption growth in 1Q.

GDP data for the last few quarters were revised up showing that the economic slowdown in the Polish economy in 2H14 was only symbolic. We expect that pace of Polish GDP growth will accelerate in the coming quarters, towards 4% YoY in 4Q15, thanks to strong internal demand and revival in the external demand.

NBP governor Marek Belka said after the last MPC meeting that only a significant weakening of economic activity could make the MPC reconsider its monetary policy bias. Thus, the recent data should cool market expectations for rates cuts. Appreciation of the zloty would have to be much deeper in order to push the central bank into action.

Wage growth accelerated strongly

Growth of average wages in the corporate sector accelerated in March to 4.9%YoY (fastest since January 2012 and strongly above even most optimistic forecasts), while employment growth inched down to 1.1%YoY.

March usually witnesses bonus payments in some sectors, so it is difficult to say whether the above-expectations wage growth is a one-off effect due to generous bonuses or a start of a more persistent tendency due to rising pressure on wages given quickly falling unemployment. Let us note however that a gradual acceleration of wages in Polish companies has been visible for some time already, especially in services (wage growth in trade exceeded 5%YoY already in February).

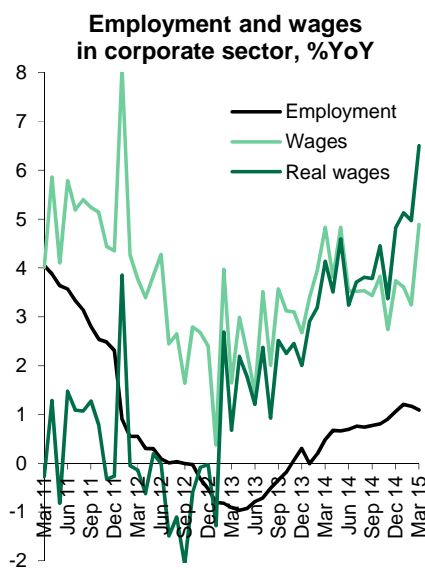
We estimate that total wage bill in the corporate sectors increased in March by 6%YoY in nominal terms, while real increase accelerated to 7.7%YoY, which is the highest growth rate since 2008. Labour income is thus advancing at the fastest pace since the pre-crisis boom, when private consumption was expanding by c6%YoY on average, i.e. twice as fast as recently. It is possible that the actual growth of households' labour income is even faster, as LFS survey data suggest that employment is rising twice as fast as suggested by data on employment in the corporate sector (let us remind that the latter are distorted by change in the examined sample of companies at the start of the year).

In our view, the positive labour market situation will be supporting acceleration of private consumption growth in the following quarters, contributing to a revival of the economic growth.

GDP growth for 2014 revised upwards

Poland's Statistical Office (CSO) released today morning updated 2013-2014 (annual and quarterly) GDP estimates. GDP growth for 2014 was revising upwards – in the whole 2014 Poland's economy expanded by 3.4%YoY on average (versus 3.3%YoY estimated earlier), and in 4Q14 by 3.3%YoY instead of 3.1%YoY. We would like to recall that the flash estimate of 4Q14 GDP growth, released in mid-February, amounted to 3.0%YoY.

The CSO also revised upwards the seasonally adjusted growth on quarter-on-quarter basis – according to the current estimate, it reached 0.8% in 4Q14, the same as in previous two quarters (previous data suggested slowdown to 0.6%).



ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luzziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

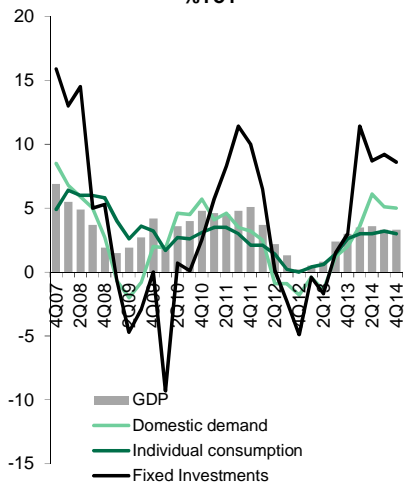
TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

GDP growth and its components, %YoY



The breakdown of the GDP growth also changed in last few quarters. Both private consumption and gross fixed investments growth were reduced slightly down (in 4Q14 to 3.0%YoY and 8.6%YoY from respectively, 3.1%YoY and 9.0%YoY earlier estimated), while the public consumption spending was significantly revised up (from 3.7%YoY to 6.4%YoY in 4Q14). Lower in comparison with the previously published estimates were exports and imports growth (while net export contribution to GDP growth was slightly more negative). All in all revisions were not large enough to significantly change the assessment of the situation in Poland's economy.

Overall, today's data confirm that Poland's economy was doing very well despite unfavourable changes in external environment, which appeared in 2014 (crisis in Ukraine, sanctions in the trade with Russia, slowdown in the euro zone), and Poland's GDP growth slowdown in 2H14 was basically a symbolic one (from 3.5%YoY in 1Q14 to 3.3%YoY in 4Q14). What is more, domestic demand growth remained high (5%YoY in 4Q14 and 4.9%YoY on average in whole 2014!), mainly due to strong growth of gross fixed investment and decent growth in consumption.

GDP growth and its components (%YoY)

	2012	2013	2014	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
GDP	1.8	1.7	3.4	0.8	2.4	3.0	3.5	3.6	3.3	3.3
Domestic demand	-0.4	0.4	4.9	-1.4	1.2	2.0	3.6	6.1	5.1	5.0
Total consumption	0.7	1.4	3.4	0.8	1.8	2.5	2.5	3.7	3.6	3.8
Private consumption	1.0	1.2	3.1	0.6	1.4	2.6	3.0	3.0	3.2	3.0
Public consumption	0.2	2.1	4.7	1.5	3.5	2.2	0.5	6.4	5.3	6.4
Gross accumulation	-4.3	-3.5	11.4	-10.8	-1.5	0.7	10.9	18.1	11.4	8.0
Fixed investment	-1.5	1.1	9.2	-1.7	1.5	3.0	11.4	8.7	9.2	8.6
Net export *	2.2	1.3	-1.4	2.2	1.3	1.0	0.0	-2.3	-1.6	-1.5

* contribution to GDP growth (percentage points)

** BZ WBK forecasts based on the whole-year data